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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

Tariffs Implementing Access Charge
Reform

CC Docket No. 97-250
CCB/CPD 98-22

REPLY COMMENTS OF BELL ATLANTIC¹

The comments on the revisions to Bell Atlantic's access charge reform tariffs contain nothing new, and their claims should be rejected for the same reasons as when they previously were made in response to Bell Atlantic's direct case on the original tariff filings.

Only MCI filed substantive comments, and it merely repeats its earlier, self-serving arguments that the Commission should require the local exchange carriers to shift more of their line port costs to be recovered through end user charges. But, as Bell Atlantic previously demonstrated, the simple fact is that MCI's proposal to accomplish this result would require a change in the Commission's cost allocation rules -- a point

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; Bell Atlantic-West Virginia, Inc.; New York Telephone Company; and New England Telephone and Telegraph Company.

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which MCI does not even acknowledge, much less refute. MCI's arguments are as defective now as they were when MCI first made them.²

ARGUMENT

In its revised access reform tariff filings, Bell Atlantic increased its allocation of line port costs to the common line category. It did so by adopting the approach that the common carrier bureau has tentatively concluded should be used – namely, by shifting line port costs out of the local switching category based upon a percentage of local switching *revenues*, rather than based upon a percentage of local switching *costs*. The revised filing also is consistent with the bureau's tentative conclusion that the so-called “base factor portion” costs, which are used to set the upper limit on end user common line charges, should be calculated based on Part 69 revenue requirements at the 11.25% authorized rate of return. As Bell Atlantic pointed out in the tariff filing, this prevented any increase in end user common line charges.

Nonetheless, MCI once again claims that both the bureau and Bell Atlantic are wrong. It argues that Bell Atlantic should have shifted additional costs to the base factor portion -- and thereby increased its end user common line charges -- by allocating a sufficient amount of local switching investment to the common line category so that the interstate common line revenue requirement, computed at an 11.25% rate of return,

² While AT&T also filed comments, it merely asks the Commission, to the extent that it has not already done so, to incorporate the revised access reform tariffs and the comments on those tariffs into the ongoing investigation of the original access reform tariff filings, *see* CC Docket 97-250. All of Bell Atlantic's revised tariffs have already been incorporated into that investigation. *See* DA 98-519; DA 98-524 (both rel. Mar. 17, 1998).

equals the amount of line port costs allocated to that category based on *revenues*. But as Bell Atlantic previously demonstrated, this proposal would require a change to the Commission's existing rules, *See* 47. C.F.R. § 69.306(d), which requires central office equipment investment to be allocated between local switching and the common line category based on *cost*.³ Moreover, and as Bell Atlantic also previously demonstrated, MCI's proposal simply makes no sense. It would both produce an over-assignment of central office investment to the common line and an under-assignment of investment to the local switching category.

MCI does not deny these facts -- it simply ignores them. MCI cites Section 69.306(d) in arguing that the Commission should require Bell Atlantic to assign line port investment to the common line category based on MCI's preferred method, but neither the plain language of the rule nor past practice supports this view. Section 69.306(d) requires the local exchange carriers to allocate central office equipment investment based on the actual investment used for switching vs. line ports. It certainly does not direct the local exchange carriers to jury-rig the amount of line port investment to produce costs that match price cap revenues. The Part 69 rules in general allocate investment, and related expenses, without regard to the amount of revenues in each price cap basket. Indeed, MCI has always referred to the methodology used by Bell Atlantic as employing "Part-69 based cost allocations" and "Part 69 revenue requirements."⁴ It is too late to

³ *See* Rebuttal to Comments on Bell Atlantic Direct Case at 11-13 (filed Mar. 23, 1998), *citing* MCI Comments on Direct Cases at 6-11 (filed March 16, 1998).

⁴ *See, e.g.*, MCI Comments on Direct Cases at 7-8 (filed Mar. 16, 1998).

argue now that Part 69 of the rules has always required the novel cost allocation methodology that MCI proposes.

MCI also misstates the requirements of the Access Charge Reform Order.⁵ MCI argues that, by not shifting additional line port costs to end user common line charges, Bell Atlantic has violated the Commission's finding that line port costs should be recovered through per-line charges. MCI at 2. However, the Commission made it quite clear in the Access Charge Reform Order that the local exchange carriers were required to reassign line-side port costs to the "Common Line rate elements," including the end user common line element, the carrier common line element, and the new flat-rated presubscribed interexchange carrier charge. Access Charge Reform Order, ¶ 125 and n.155. Bell Atlantic's methodology ensures that line port costs will be recovered through end user common line charges (subject to the 11.25% rate of return and the caps on such charges) and through presubscribed interexchange carrier charges as they are phased-in. Nothing in the Access Charge Reform Order required line port costs to be recovered solely through end user common line charges.

Finally, MCI claims that Bell Atlantic's methodology is inconsistent with the way that local exchange carriers are required to report line port revenues in the Tariff Review Plan. MCI at 2-3. The short answer to this is that the Tariff Review Plan does not establish ratemaking policy. It simply is a report that facilitates the Commission's review of the tariffs implementing access charge reform. The carriers are required to file data in

⁵ Access Charge Reform, 12 FCC Rcd 15982 (1997).

the Tariff Review Plan that accurately reflect the costs that they assign to each category.


That is exactly what Bell Atlantic did, and MCI does not claim otherwise.

CONCLUSION

For the foregoing reasons, the Commission should reject MCI's criticisms of Bell Atlantic's revised access charge reform tariffs.

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Respectfully submitted,

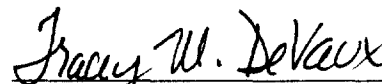
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Dated: April 8, 1998

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of April, 1998 a copy of the foregoing "Reply Comments of Bell Atlantic" was sent by first class mail, postage prepaid, to the parties on the attached list.



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